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FINAL REPORT

FROM FARM TO METRO:

A Demonstration of Cooperative
Promotion, Marketing and Distribution
of
Diverse Agricultural Products

March 15, 1990 to December 15, 1990

Coulee Region Organic Produce Pool
(CROPP)

P.O. Box 159 La Farge, Wisconsin 54639
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Wisconsin Department of Agriculture

Agricultural Development & Diversification Grant Program

Contract #4042

PROJECT OVERVIEW

To begin this report, let the facts and figures speak. They will clearly declare the degree of success this project has attained.

In 1989, before this project began, we sold on the average 8,100 pounds of cheese per month. The largest amount of cheese sold in any month was 16,000 pounds. By contrast, in all of 1990, even though this project didn't start until the second quarter, the average amount of cheese sold per month was 16,200 pounds, twice the level attained before this project took effect. In October and November, as we were nearing completion of this marketing program, we sold over 30,000 pounds of cheese in both months.

We have created jobs in the rural economy. In March of 1989, before the Marketing project started, CROPP had one full-time employee, 2 half-time employees, and 3 less than half-time employees. As of this date, we have 6 full-time employees, 2 half-time employees, and 4 less than half-time employees.

We have created a demand for more organic milk, necessitating the addition of 3 New Dairy producers to our organic produce pool. The milk price we pay our farmer/producers is $14.75 per hundred weight. This is about $3.00 over the conventional price per hundred weight. This price has not declined. Most dairy farmers in Wisconsin get a far lower price for their milk now than they did in September of 1990. Our milk price has been stable because it is tied to the price of cheese. As long as our cheese sales are healthy, we will continue to pass the profits along to our farmers.

This milk price alone speaks for the success of the main concept behind our marketing project: We have connected farmers and consumers in a direct fashion, benefitting farmers with higher prices, and consumers with healthy, organic food. With many new dairy products now being considered for production, CROPP could extend this milk price stability to many more organic producers, as the demand for their milk grows.

PROJECT OBJECTIVES AND DEGREE OF ATTAINMENT:

I. "Develop a research, promotion, marketing and distribution system that responds to consumer demand for organic agricultural products."

This is, of course, the over-arching objective of our marketing project. This objective can be divided into several smaller objectives:

A. Develop a unified label system for our products.

B. Create point of purchase information fliers.

C. Create a research instrument, collect data, and draw conclusions about the organic food market.

D. Make contacts with suitable distributors for our products, both whole-sale and retail.

Let us address these objectives and our degree of success in attaining them one at a time:

A. Develop a unified label system for our products:

This, we feel, was the single most important accomplishment of this project. Without a label we could not market our products. An attractive, product-promoting design, on the other hand is the single most important marketing tool we felt we had.

We first identified a need to choose a brand name that had a stronger marketing presence than CROPP. CROPP was too long and too confusing a name. It didn't convey to consumers enough information about our organization or our products. Our marketing committee tried many different names, and finally settled on: "ORGANIC VALLEY Family of Farms". This we felt conveyed directly and succinctly what our product was and where it came from. Next, we asked for sketches from two commercial artists, finally choosing Mixed Media in Madison to design our label. We worked with them through countless revisions, getting the graphics, colors and wording we wished to have on the label. It went to the printer where again it went through a number of revisions before we were satisfied with the out-come.

We feel that this label is an excellent label. We are very pleased with the results. A story illustrates the success of our new label. A distributor in Montana, who carried "North Farm" cheese, called us, and wanted to carry "Organic Valley" cheese. It looked and tasted like an excellent product, and was jumping off shelves in retail out-lets that were competitors of his out-lets. They were very surprised to discover that North Farm cheese and Organic Valley cheese were one and the same. People were buying Organic Valley cheese simply because the label was much more attractive than the North Farm label.

B. Create point of purchase information fliers:

We wanted a flier that would explain our organization, how organic agriculture differs from conventional agriculture, why organic food cost more, and what we meant when we said that our product was "organic".

The same graphic artist that helped us with our label worked on our fliers. We created two fliers, one explaining organic food in general terms, and one aimed directly at explaining organic cheese. We settled on a "shelf-talker" as a final promotional form. It dangled from the price shelf below our product and explained what was different about that "organic" product.

We were less enthusiastic about the out-come of the fliers. Perhaps we didn't question the graphic artist's approach, as we had been so pleased with the label outcome. The problem, we feel, is that the background design (vegetables in one flier and a milk-maid milking in the other flier), make the printed words difficult to read or focus on.

The "shelf-talker", on the other hand, came out quite well. Each carton of cheese that goes out to a distributor now also contains shelf-talkers and organic cheese fliers.

We had wanted to make more point of purchase materials: coupons, recipes, and promotional posters. None of these were accomplished. We simply ran out of money. The materials that we did create were much more expensive to produce than we had anticipated. Considering that we needed to focus our money in areas where it could make the most impact, we are satisfied with the choices we made.

C. Create a research instrument, collect data and draw conclusions about the organic food market.

This objective, as conceived in the original project application was "to help the producer to know what kind of products the consumer wants:, "to measure consumer satisfaction", and "help define the demand for new products and value-added products." Unfortunately, most of us at CROPP were extremely naive about the field of market research before this project began. By studying this area in depth,talking to experts at the University of Wisconsin, Madison, (Dr. Tom Cox, Dr. Rubin Buse, and Dr. Gerald Campbell), and reading other research studies on the subject, we came to certain realizations about the research aspect of our project.

Firstly, to gain statistically significant samples that would give information about new products, or demand for certain products would require extremely large samples and sophisticated random sampling techniques. All of this was beyond the scope of our capabilities, in terms of cost of data collection, and managing the mass of data that would be generated.

The research aspect of our project was redesigned in three ways. Firstly, research was constructed which would help us to look at the best ways to market and promote organic food in a general sense, rather than measure demand for particular products. Thus our lack of rigorous statistical methodology was minimized.

Secondly, we decided to emphasize simpler, more informal ways of gaining this information about particular product demand. We decided to focus on getting our people out in the field to talk with knowledgable distributors and other experts and professionals in the field.

Finally, even though we could not assure a random sample collection proceedure, we devised a setting for the collection of data which would in itself serve as an organic food promotion and education event.

Results of our research is included at the end of this report. The most interesting thing I believe we learned from this study was that most people do not buy organic food for ideological reasons. This was one of our unexamined assumptions about organic food marketing. I.E., shoppers buy organic food because it is good for the environment, is purer, healthier, or is in support of clean working conditions for farm-labor. All this may be true, but our study pointed out that many people who buy organic food are people with disposable income who are "impulse buyers". The organic product looks good to them or appeals to them for some whimsical reason, and they buy it. Any marketing strategy must take these kinds of shoppers into account, motivating a higher percentage to put organic products in their shopping carts.

D. Make contacts with suitable distributors for our products, both wholesale and retail.

We needed to create two separate distributor networks; a national distribution channel for our cheese, and a regional retail network for our vegetables. Our sales manager Harriet Behar's trip to Annaheim, California at the very beginning of the project made the initial contacts for the Western States and West Coast distributor network.

Prior to this, we had never done any promotion of our own cheese.Our cheese was sold under the "North Farm" label and distributed through their network of warehouses. Once we created our own label, we began to sell our own cheese. Our agreement with North Farm was only to sell into territories that they did not already cover. This was our objective when we set up our distributor network.

The connections that Harriet made on her trip to Annaheim allowed us to set up a distributor network in the Southwest, the Mountain States, the San Francisco Bay Area, and the Los Angeles Area. Harriet's trip to the East Coast at the end of the project firmed up a network for distribution in New York, New Jersey, Philadelphia, Boston, and other smaller cities on the East Coast.

On the Retail side, we spent a lot of time and energy setting up relationships with retail food stores in Madison, Milwaukee, and Chicago. We promoted our vegetables by explaining our produce to store managers, showing them how to best display our vegetables, and how to present our produce to consumers. We did in-store promotions where we gave out cheese samples and distributed questionaires for our research. We made all of our fliers and promotional materials available to the stores.

We were very successful in reaching many retail stores with our produce. Our major problem, however, is not a vegetable marketing problem at this point. The marketing network is in place, and the demand is present. We do not have a sufficient number of acres being planted by our growers to meet the demand for organic vegetables.

II. Develop and expand markets for existing products of CROPP producers.

This was done in the ways described above in #'s A--D. One of the more exciting outcomes, and an unexpected success was our contract for organic, kosher cheese. Because CROPP had Grant money that made us more visible to professionals in the natural food business, we were contacted by a New York firm which led to an agreement to package organic cheese under a private, Kosher label. Our facilities were inspected by a New York Rabbi and pronounced to be Kosher. (This was mostly because we use vegetable enzymes in our cheese production rather than animal rennet). We now sell most types of our cheese under the "GOOD LIFE" KOSHER Label.

III. Verify the demand for new products for our producers.

Through informal rather than statistical means, we have verified the demand for several new products, which are now in various stages of production. We are producing organic provolone and mozarella cheese for the pizza industry. This is turning out to be a very high demand product, and has been a successful venture into new products. We are working with the organic baby food industry to create products that they need for their formulations. This would include different types of dry milk and butter. We have verified a demand for string-cheese, farmer cheese, cottage cheese, low fat low salt cheddar and reduced fat colby. We are also looking into butter and fluid organic milk in bottles.

IV. Research the demand for value added products that could be distributed through CROPP.

Through the course of this project we have learned much about value added products that are in demand and we have actually begun to position ourselves to begin creating these products. At the top of the list is organic ice cream, which may become a reality within the next year. We are also considering yogurt, low-fat yogurt, and frozen yogurt. We are moving in the direction of packaged flours and grains. We are considering packaged potatoe products like hash browns and french fries.

With the help of the USDA Cooperative Development Division, we have looked into the feasability of freezing corn and making tomatoe juice. At this time, the number of acres of production we would need in order to break even in this operation is beyond the scope of our cooperative.

REVIEW OF WORK ACTIVITIES AS RELATED TO THE WORK PLAN:

MARCH:

We developed a market research, promotion, and distribution strategy. This was written in report form and presented to our consultant team for review on April 19th. Our consultants were: Ralph Johnson, Viroqua, Cheese Consultant; Kate Walter, La Farge, Commercial Art and Advertising Consultant; Melodi Nelson, Minneapolis, Organic Produce Consultant. This marketing plan was also sent to our Co-op Consultants at the USDA: Rosemary Mahoney, Agricultural Economist, Edgar Lewis, Agricultural Marketing Specialist and Eric Brainich, Dairy, Livestock and Poultry Consultant. These USDA Staffers also gave us feedback on our plan.

MARCH 6--13th

Harriet Behar, Sales Manager, attends the Natural Food Expo trade show in Anaheim, California.

APRIL 3--6th

Harriet Behar travels to Madison, Milwaukee, and Chicago in order to help develop the retail sales route.

APRIL 22nd

Cathryn Rymph presents a food promotion at the grand opening of the Magic Mill Natural Foods supermarket in Madison.

MAY

Mark Kastel, business and marketing consultant works with Mixed Media, graphic artists to produce our new cheese labels and vegetable "signage". Lockwood, Alex, Fitzgibbon and Cummings trade-mark our new name "Organic Valley". Harriet Behar continues to develop wholesale and retail distributor networks.

JUNE:

A consumer pamphlet explaining organic agriculture and organic products is created. A two sided organic cheese pamphlet is created. The research literature is surveyed and initial ideas are considered for the market research.

JULY:

The "shelf-talker" is completed. We meet with agricultural market research experts at UW Madison. (Professors Gerald Campbell, Tom Cox, and Rubin Buse). The consumer survey instrument is completed. USDA consultants Rosemary Mahoney, Erich Brainich and Edgar Lewis visit CROPP. They review the entire operation and conduct a training session with our Board of Directors. The Apple Macintosh computer and printer are purchased.

AUGUST:

The Promotional event at the Wisconsin State Fair, in Milwaukee is attended. Consumer survey information is also gathered at the State Fair. Consumer survey and store promotion work is done at Magic Mill in Madison and V. Richards in Milwaukee.

SEPTEMBER:

Organically Grown week, a promotional event in downtown Chicago is attended. Promotions are done at Out-Post Foods in Milwaukee and Williamson Street Co-op in Madison. The CROPP Staff learns how to use the computer. It is used to create information and promotions for the wholesale and retail distributor networks.

OCTOBER:

The consumer research is completed.

NOVEMBER:

Harriet Behar takes a promotional trip to the East Coast. She attends the natural foods expo trade show in Philadelphia and visits distributors and stores in Pennsylvania, New Jersey, New York, and Boston. Continued discussion and analysis of the results of the research is done. On November 26th the Consultant meeting is held to review the entire Grant Program.

WHAT CROPP LEARNED FROM THE GRANT PROJECT:

One of the issues we gained more knowledge about was the approach we took to marketing. We discovered a problem with our conception of a research-promotion-education-distribution cycle. In our prior understanding of this cycle, the research results would direct the movement of the cycle. We would build all of our promotion, education and distribution programs on our research. In reality it took us until the end of October to finish our research and analyze the results. Thus, we had to alter our approach and base our promotion, education, and distribution on our best guess, information from consultants and experts, and informal surveys of distributors, store-keepers, and professionals in the field. The unexpected success in this approach was our discovery of how much good information was available to us just by being present in the market-place. Even though our information did not carry the added weight of being statistically significant, it was accurate enough to be useful in our marketing program.

The second learning for us was how expensive the promotional materials are to create. We spent a very large portion of our Grant budget simply to create our label. We had to focus our promotional activities much more clearly and closely than we had anticipated. The positive aspect of this cost problem was that it forced us to focus on promotional activities that were going to have as efficient an impact as possible.

THE FUTURE OF ORGANIC FOOD MARKETING:

As has been previously mentioned in great detail, we have identified a demand for a wide array of new products and value added products. (Please see pages 8 and 9 for a list of these new products.)

It can be seen from this report that the direction we are moving in is primarily new types of dairy products. The expansion will occur primarily in the dairy area rather than the vegetable area for a number of reasons: (1): We are assured of a year round, continuous supply of milk. (2): There are organic dairy producers waiting to sign up for our program when we can increase our demand for fluid. (3): Value added dairy products have a fairly stable shelf-life, which adds significantly to the ease of warehousing, trucking, and marketing. Thus, we do not have the kinds of problems with organic milk supply and marketing that we have with organic vegetable supply and marketing. The future of organic vegetable marketing rests on the supply side. We need to provide educational and technical support to growers which will help them over-come their fertility, weed and pest problems, and help them solve the problem of the very high level of manual labor per acre required to grow and harvest vegetables.

A MOTIVATIONAL AND DEMOGRAPHIC STUDY

of

RETAIL ORGANIC FOOD BUYING

by

Aaron Brin
COULEE REGION ORGANIC PRODUCE POOL
La Farge, Wisconsin
October, 1990

SUMMARY

This study surveyed people in Madison, Milwaukee, and Chicago in a total of six different locations. The instrument constructed for this research gathered demographic data on organic food buyers, and measured their response to four factors which may have motivated them to buy organic food. These factors are: Concern for the environment; Concern for personnal health; Support for farm-workers and family-farmers; Concern for food purity. No statistically significant difference was found between the four factors, and between the responses in the six different locations.

This study was paid for with funds from the Wisconsin Department of Agriculture, Trade, and Consumer Protection's ADD Grant Program.

RESEARCH OBJECTIVES:

This Study was constructed to yield information on the following four subjects:

1. We wished to survey consumer attitudes to discover more about what motivates them to buy organic food. Since organic food almost always costs more, consumers who buy it must be motivated in ways which over-come this price barrier. To know more about motivating factors would help us in future promotional and advertising endeavors.

2. We wished to gather demographic data and see how this information interrelated or correlated. We were primarily interested in: income level, age group, and frequency of organic food buying.

3. We wished to determine whether there were distinct market segments within the retail organic food market: Are large city consumer attitudes different from small and middle-sized cities? Is the population which shops at food co-ops 'measurably different from the population which shops at privately owned specialty health food stores?

4. We wished to gain more specific information about what organic products consumers prefer. This had to be limited, as it is worthy of a separate study of it's own.

PROCEEDURES

The groups we decided to survey would involve samples from Madison, Milwaukee, and Chicago. It would include four retail food stores, The Department of Agriculture ADD Booth at the Wisconsin State Fair, and Chicago Organic Week: a promotional event held in a downtown Chicago Plaza area during noon-time. Questionaires were handed out by someone in the booth at the State Fair and the Chicago Organic Week, while at the food markets questionaires were given out at organic food promotional events.

The food markets were: Out-Post Natural Foods Co-op, Milwaukee. Williamson Street Co-op, Madison. Magic Mill Natural Foods, Madison: (This is a large, up-scale Grocery that carries mostly natural food items). V. Richards in Milwaukee: (also an up-scale, gourmet grocery store). Usable sample sizes were: State Fair=122. Chicago Organic Week=36. Out-Post Natural Foods=22. Williamson St. Co-op=48. Magic Mill=38. V. Richards=34. It was hoped that the State Fair and Chicago Organic Week could serve as base-line comparisons. They would be more heterogenous groups not necessarily sensitive to organic food issues.

INSTRUMENT:

An 11 item questionaire was designed which would yield demographic data as well as measure four factors which we identified as the most likely motivating factors in organic food-buying behavior. These factors were: Environmental concern; Concern for personnal and family health; Concern for food purity; Support for farm-workers and family farming. There was a 1-5 Likert scale that they could record their answers on. (See Questionaire on the following page).

1	Do you know what is meant by "ORGANIC" food?	YES	NO	UNSURE		
2	How often have you purchased organic food?	NEVER	RARELY	SOMETIMES	FREQUENTLY	AS MUCH AS POSSIBLE
3.	I buy organic food because I want to conserve and maintain our environment for future generations.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
4.	Consuming organic food helps maintain my health.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
5.	I support small-scale family farms with my food dollars.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
6.	I buy organic food because of my concern for ground-water pollution.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
7.	I am concerned by toxic chemical exposure to farm workers.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
8.	For health reasons it is important to me that my children eat organic food.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
9.	I buy organic food because there are no herbicide or pesticide residues in it.	STRONGLY DISAGREE	DISAGREE	INDIFFERENT	AGREE	STRONGLY AGREE
10.	Please list the number of individuals in each age group who are members of your immediate family.	0-5 years.	6-18 years.	19-65 years.	over 65 years.	
11.	If you will buy organic food today, what will you or did you buy?					
12.	Plea circle your approximate household income.	0-$14,000	$1 [illegible]000-22,000	$23,000-35,000	over $36,0	unable or unwilling to answer.

Questions #3, and #6 measured the environmental concern factor.
Questions #4, and #8 measured concern for personnal health.
Questions #5, and #7 measured support for family farming.
Question #9 measured concern for food purity.

CONCLUSIONS:

The information from each of the six locations concerning the motivational factors was analyzed using the CHI SQUARE TEST. It was found that there was no statistically significant difference between the four variables. This was true for every-one of the six locations. The six locations were then analyzed together with respect to response levels for the four motivational variables. a MULTI-LEVEL 4X6 CHI SQUARE TEST was used. It was found that there was no statistically significant difference between any of the six locations. Thus, with respect to motivating variables, none of these locations represents a distinct market segment of the retail food market.

DISCUSSION:

The lack of a statistically significant difference between the four motivating factors suggests that all four are important to consumers. All four ought to be stressed, or be made useful in any advertising program. It is also interesting to look at the absolute numbers from the samples. A distinct pattern emerges in five of the six cases. Food purity and Family Farming issues scored the highest in 5 of six locations. It was surprising that Family farming seemed to be more important than environmental issues. Perhaps because this issue wears a human face, while the environment is over-whelming and abstract as an issue.

The State Fair did not work well in practice as a base-line group. As a whole, people stopping by our agriculture booth were strongly oriented toward farming issues, and may have been family farmers themselves. This skewed this group toward family farming issues more strongly than any other group surveyed.

In correlating income level with frequency of organic food buying, one sees some interesting relationships. There appears to be a group of committed buyers at all income levels: low; middle; high. There is also a large group of higher income people who "sometimes" buy organic food. We need to concern ourselves with what kind of advertising this group might be sensitive to.

In correlating age group with frequency of organic food buying, one is particularly struck by what a small percentage of people over 65 were measured by our study. We might not be reaching this age group at all with organic food issues.

Finally, our attempt to find out more about organic food choices was not successful. Our question: "If you will buy organic food today, what will you or did you buy?", was too vague. Most of our responses were too general to be helpful. I.E., "vegies", fruits and vegetables", or "vegetables".

RECOMMENDATIONS FOR FUTURE RESEARCH:

We need to assess factors other than the political and social issues that motivate people. Perhaps there is conspicuous consumption involved, where prestige and status is important for urban people who buy organic food. Organic food could then be advertised as "the cream of the cream". We need to look more closely at people who "sometimes" buy organic food to see what might motivate them to buy more. We also need to see how we can reach the over 65 age group. Finally, we need to do more carefully categorized research on specific food choices which will yield more usable results.

Motivational Factor Analysis:

Respondents were given a score of 1-5 on each of seven questions:

	Environment	Health	Family farming	Food purity	
State Fair	976	981	1,037	1,001	
Magic Mill	337	334	337	338	
Out-Post	190	192	192	197	
Willy St. Co-op	391	390	402	399	
V. Richards	192	201	198	205	
Chicago Organic Week	207	220	222	225	

CHI SQUARE:

State Fair= 2.31
Magic Mill= .03
Out-Post= .15
Willy St. Co-op= .26
V. Richards= .635
Chicago Organic Week= .85

Degrees of freedom=4 (for four categories).
For 80% level of probability Chi Square must be 5.99

Null Hypothesis that there is no difference between the factors is retained.

PERCENTAGE OF SAMPLE WHO ARE UNSURE OR DO NOT KNOW WHAT "ORGANIC" MEANS:

State Fair= 16% Magic Mill= 2.6% Out-Post= 4.5%

Willy St. Co-op= 10% Chicago Organic Week= 28%

Respondent income level: 1= 0-$14,000 2= $15,00-$22,000
3= $23,000-$35,000 4= over $36,000

Frequency that respondent buys organic food: 1=Never 2=rarely
3=Sometimes 4=Frequently
5=As much as Possible.

FREQUENCY \ INCOME LEVEL	1	2	3	4
1	1	1	2	3
2	4	9	10	17
3	16	11	24	56
4	10	4	11	22
5	7	10	11	24

Age Groups: 1= 0-5 years 2= 6-18 years 3= 19-65 years
4= over 65 years.

FREQUENCY \ AGE GROUP	1	2	3	4
1	1	2	14	2
2	9	26	63	6
3	20	68	213	7
4	10	22	67	5
5	15	14	94	2